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Attorneys for Debtor

UNITED STATES BANKRUPTCY COURT

IN AND FOR THE EASTERN DISTRICT OF WASHINGTON UNITED STATES

In Re:	Ch 11
<b>CLAAR CELLARS, LLC,</b>	Case No: 20-00044-11
<b>Debtor.</b>	DECLARATION OF ROBERT C. WHITELATCH IN SUPPORT OF:
	MOTION TO USE CASH COLLATERAL

I, ROBERT C. WHITELATCH, pursuant to RCW 9A.72.085 declare:

**I. BACKGROUND**

1. I and my wife, Crista Claar Whitelatch ("Crista"), and our children, James Whitelatch and John Whitelatch, and mine and my wife's Revocable Trust known as

DECLARATION -1

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Whitelatch Living Trust dated 3/15/1995 own, farm and operate grape vineyards and a winery in Franklin County, Washington.

2. Claar Cellars is a Washington Limited Liability Company with the following members:

Robert C. Whitelatch	30% Member
Crista Claar Whitelatch	30% Member
James Whitelatch	20% Member
John Whitelatch	20% Member

3. Co-debtor RC Farms, LLC ("RC Farms") is a Washington Limited Liability Company with the following members:

Robert C. Whitelatch	30% Member
Crista Claar Whitelatch	30% Member
James Whitelatch	20% Member
John Whitelatch	20% Member

4. James and John are the adult children of myself and Crista and both are employed to grow grapes in the vineyards and process and sell wine through the Claar Cellars entity.

5. The Whitelatch Living Trust consists of myself and Crista and owns Parcel No. 126-390-110 located in Farm Unit 206, Irrigation Block 15 (a/k/a 1031 Glenwood Road, Pasco, Washington). The property consists of grape vineyards on 27 acres and a combined residence and shop. Parcel No. 126-390-110 in Farm Unit 206, Irrigation Block 15 has a fair market value of \$1,000,000.00 and is encumbered by a Real Estate

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1 Mortgage owed to Homestreet Bank. Myself and Crista have guaranteed the  
2 indebtedness owed to Homestreet Bank.

3 6. Claar Cellars owns Parcel No. 126-390-171, i.e. Lot 1 Short Plat 96-24  
4 located in Franklin County, Washington (a/k/a 1081 Glenwood Road, Pasco,  
5 Washington). This property consists of 2.16 acres upon which is the winery and  
6 support buildings which processes and markets the grapes grown by RC Farms. The  
7 winery property has a fair market value of \$2,640,000.00 and is encumbered by a Deed  
8 of Trust in favor of Baker Boyer Bank which is owed \$787,978.28.

9 7. RC Farms owns Parcel No. 123-080-013 located in Farm Unit 94, Irrigation  
10 Block 15, Franklin County, Washington (a/k/a 11201 Taylor Flats Road, Pasco,  
11 Washington). The property consists of 76.52 acres and a residence used by an  
12 employee, a shop and a pivot circle which pivot circle is leased by T-N-T Enterprises  
13 Group, Inc. The property has a fair market value of \$1,700,000.00 and is unencumbered.

14 RC Farms owns Parcel No. 126-390-140 located in Farm Unit 206,  
15 Irrigation Block 15, Franklin County, Washington (a/k/a 1340 Glenwood Road, Pasco,  
16 Washington). The property consists of grape vineyards on 82.74 and a residence used  
17 by an employee. These vineyards are farmed by RC Farms and the grapes grown on  
18 this property are made into wine and processed and sold by Claar Cellars. This  
19 property has a fair market value of \$2,000,000.00 and is encumbered by a Real Estate  
20 Mortgage owed to Homestreet Bank.  
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23 DECLARATION -3

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1           8.     All Owned Property is described on Exhibit "1" attached hereto.

2           9.     Market conditions have resulted in a surplus of wine which has prevented  
3     Claar Cellars from selling enough of its wine inventory to remain within the 1.25% debt  
4     to sale ratio. This resulted in Homestreet Bank accelerating the balances owed on all  
5     indebtedness. Homestreet Bank filed its Complaint in Franklin County on or about  
6     November 5, 2019, to foreclose Deeds of Trust, Replevin, Breach of Contract and to  
7     Appoint a General Receiver. The Court appointed a "custodial" receiver with full  
8     powers to operate the properties encumbered by Homestreet Bank and sell the property  
9     upon Court order which would take effect on or about January 10, 2020. The pending  
10    State Court litigation caused Claar Cellar and RC Farms to file Chapter 11 Petitions for  
11    relief on January 9, 2020, to retain control of the vineyards and winery.

12           10.    Myself, Crista and our children are and have been actively seeking  
13    alternative financing to pay Homestreet Bank in order to continue farming and  
14    operating the vineyards and winery. I have and we are also pursuing sale of the entire  
15    farm and winery operation to accommodate our retirement objectives.  
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23   DECLARATION -4

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11. Claar Cellars is indebted to Homestreet Bank pursuant to two Promissory Notes with unpaid principal and interest owed as of November 5, 2019, plus accruing interest and costs as follows:

Note 1:	\$651,376.29
Note 2:	\$61,577.24
	<hr/>
TOTAL Principal and Interest as of 11/5/2019:	\$712,953.53

Homestreet Bank claims that this indebtedness is secured by security interest in personal property of RC Farms and Claar Cellars pursuant to blanket security interest encumbering the personal property of Claar Cellars and RC Farms.

12. RC Farms is indebted to Homestreet Bank pursuant to Promissory Note with unpaid principal and interest owed as of November 5, 2019, plus accruing interest and costs as follows:

Note 1:	\$1,143,168.08
	<hr/>
TOTAL Principal and Interest as of 11/5/2019:	\$1,143,168.08

Homestreet Bank claims that this indebtedness is secured by security interest in personal property of RC Farms and Claar Cellars pursuant to blanket security interest encumbering the personal property of Claar Cellars and RC Farms and by Real Estate Mortgage on property of RC Farms and property of Robert and Crista d/b/a Whitelatch Trust.

DECLARATION -5

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13. The approximate net worth of Claar Cellars is as follows:

Cash	\$1,336.71	
Cash	\$6,766.87	
Real Estate, i.e. Parcel No. 126-390-171 (with improvements)	\$2,640,000.00	
Equipment Inventory (Exhibit "2") (other than improvements included in real estate valuation)	\$888,215.93	
Wine Inventory @ cost (Exhibit "3")	\$1,820,810.42	
Accounts Receivable (Exhibit "4")	\$308,942.47	
Subtotal:		\$5,666,072.40
LESS:		
Baker Boyer Bank	(\$787,978.28)	
Homestreet Bank	(\$712,953.53)	
Farm Credit – Chiller	(\$6,336.00)	
Bank of the West / H&A Financing and Services Corp. – Barrels	(\$35,000.00)	
Hammi Bank – Gal Tank	(\$8,946.00)	
Unsecured Accounts Payable	(\$208,258.32)	
Subtotal		(\$1,759,472.13)
NET WORTH		<u>\$3,906,600.27</u>

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14. The approximate net worth of RC Farms is as follows:

Cash	\$57.14	
Cash	\$2,850.94	
Real Estate, i.e. Parcel No. 123-080-013 (pivot circle and improvements)	\$1,700,000.00	
Real Estate, i.e. Parcel No. 126-390-140 (vineyard and improvements)	\$2,000,000.00	
Equipment Inventory (Exhibit "5")	\$204,439.47	
Accounts Receivable (Exhibit "6")	\$356,671.95	
Subtotal		\$4,264,019.50
LESS:		
Homestreet Bank	(\$1,143,168.08)	
Ag Direct – Stripper	(\$6,749.00)	
Ag Direct – Tractor	(\$11,594.00)	
Financial Pacific Leasing – Berm Sweeper/Stakes	(\$22,011.00)	
Unsecured Accounts Payable	(\$49,561.75)	
Subtotal		(\$1,233,083.83)
NET WORTH		<u>\$3,030,935.67</u>

15. I have developed a 2020 winery and farming budget ("Budget") attached hereto as Exhibits "7-1" and "7-2." The Budget describes the projected 2020 winery and farming income and expenses.

16. Claar Cellars and RC Farms are indebted to Homestreet Bank as follows:

Claar Cellars Promissory Note	
TOTAL Principal and	
Interest as of 11/5/2019:	\$712,953.53
RC Farms Promissory Note	
TOTAL Principal and	
Interest as of 11/5/2019:	\$1,143,168.08
TOTAL	<u>\$1,856,121.61</u>

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17. The Homestreet Bank debt is secured by the following assets:

Claar Cellars		
Cash	\$1,336.71	
Cash	\$6,766.87	
Equipment Inventory (Exhibit "2")	\$888,215.93	
(other than improvements included		
in real estate valuation)		
Wine Inventory @ cost (Exhibit "3")	\$1,820,810.42	
Accounts Receivable (Exhibit "4")	\$308,942.47	
Subtotal:		\$3,026,072.40
RC Farms		
Cash	\$57.14	
Cash	\$2,850.94	
Real Estate, i.e. Parcel No. 126-390-140	\$2,000,000.00	
(vineyard and improvements)		
Equipment Inventory (Exhibit "5")	\$204,439.47	
Accounts Receivable (Exhibit "6")	\$356,671.95	
Subtotal		\$2,564,019.50
Robert and Crista d/b/a Whitelatch Trust		
Real Estate, i.e. Parcel No. 126-390-110	\$1,000,000.00	
(vineyard and improvements)		
Subtotal		\$1,000,000.00
TOTAL		<u>\$6,590,091.90</u>

18. Claar Cellars holds the following, has or expects to receive during the course of 2020, the following amounts which are, or will, constitute cash collateral ("Cash Collateral") pursuant to 11 U.S.C. § 363:

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Cash Collateral

Description	Claar Cellars	RC Farms
Cash	\$1,336.71	\$57.14
	\$6,766.87	\$2,850.94
Equipment Inventory	\$888,215.93	\$204,439.47
Wine Inventory @ cost	\$1,820,810.42	
Accounts Receivable	\$308,942.47	\$356,671.95
TOTAL	\$3,026,072.40	\$564,019.50
COMBINED TOTAL =		
\$3,590,091.90		

19. Other than Homestreet Bank, I am not aware of any other creditor or party in interest that holds a security interest or lien in the Cash Collateral. The 2020 crop does not yet exist and Homestreet has not provided financing with respect to the 2020 crop. Pursuant to 11 U.S.C. §552, Homestreet has no current security interest or lien in the 2020 crop.

20. Claar Cellars seeks to utilize a portion of the Cash Collateral in order to pay the Claar Cellars operating and administrative expenses and fund growing of 2020 grape crop by RC Farms as detailed in the Budget. All of the expenses outlined in the

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1 Budget are reasonable and necessary in order to produce and market current inventory  
2 and fund growing of 2020 grape crop by RC Farms.

3 21. Claar Cellars projects to receive the sum of \$356,671.95 in 2019 crop  
4 proceeds between February 1, 2020 and November 30, 2020 ("**2020 Crop Year**").

5 22. Claar Cellars (and its employees) have significant experience in  
6 manufacturing and marketing finished wine products. Claar Cellars' projections for  
7 both income and expense are supported by historical results and current market  
8 conditions as well as the significant experience and know-how of Claar Cellars and  
9 employees.

10 23. Without the use of the Cash Collateral, Claar Cellars will be unable to  
11 produce and market current inventory and fund growing of 2020 grape crop by RC  
12 Farms and will be without funds to propose a plan of reorganization.  
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23 DECLARATION -10

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1 I declare under penalty of perjury under the laws of the State of Washington that  
2 the foregoing is true and correct on this 13<sup>th</sup> day of January, 2020, at  
3 Pasco, Washington.

4 

5 CLAAR CELLARS, LLC  
6 RC FARMS, LLC  
7 By: ROBERT C. WHITEATCH  
8 Title: Member  
9 1081 Glenwood Road  
10 Pasco, Washington 99301  
11 (509) 266-4449  
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23 DECLARATION -14

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